



U.S.-KOREA TRADE AGREEMENT

Texas Farmers Will Benefit

December 2010

The U.S.-Korea Trade Agreement, known as the KORUS agreement, will immediately eliminate duties on nearly two-thirds of current U.S. agricultural exports and gives U.S. exporters improved access to the Korean market for many products that have been highly protected. The U.S. International Trade Commission estimates that annual U.S. agricultural exports to Korea will increase by a minimum of \$1.9 billion upon full implementation of the agreement.

The KORUS agreement eliminates tariffs and other barriers on most agricultural products, increasing export opportunities for a range of Texas agricultural products, including beef, poultry, and dairy. Texas's agricultural exports to all countries, estimated at \$4.7 billion in 2009, supported about 38,000 jobs, both on and off the farm. These export sales make an important contribution to Texas's farm economy, which had total cash receipts of \$16.6 billion in 2009.

Cattle and Beef. The cattle and calf industry is the state's largest agricultural industry with cash receipts of \$6.9 billion or 42 percent of farm earnings in 2009. Texas is the nation's third largest exporter of cattle and beef with \$710 million in exports in 2009. The KORUS agreement will provide many benefits to the cattle industry.

- For beef muscle meats, the KORUS agreement provides a 15-year straight-line tariff phase out of the 40 percent tariff reaching duty-free access in year 15.
- For beef offals and variety meats, the KORUS agreement provides a 15-year straight-line phase out of the 18 percent tariff reaching duty-free access in Year 15.

Poultry Meat. Broilers are Texas's second largest source of farm cash receipts with sales totaling \$1.7 billion in 2009. Texas is the nation's sixth largest exporter of poultry meat and products with \$289 million in exports in 2009. Among the KORUS agreement's benefits to Texas's poultry producers and processors:

- Korea's tariffs of 18 to 27 percent on frozen leg quarters, frozen breasts and wings, and frozen turkey cuts, will be phased out in 7-12 years.
- As the number two market for U.S. egg products, Korean tariffs of 27 percent on egg products, including egg yolks, will be phased out in 12 equal annual reductions.

Dairy Products. Dairy products are Texas's fifth largest source of farm cash receipts, with sales totaling \$1.2 billion in 2009. Among the KORUS agreement's benefits to the Texas dairy industry are:

- Duty-free TRQs will be established for cheese, skim/whole milk powder, food whey, and butter.
- U.S. feed whey exports, which totaled \$8 million in 2009, will gain duty-free access to the Korean market immediately upon implementation.

Cotton. Texas is the nation's leading producer of cotton with cash receipts of \$1.2 billion in 2009. Texas also leads the nation in cotton and linter exports, which totaled nearly \$1.4 billion in 2009.

- The KORUS Agreement will lock in the duty-free access currently enjoyed by U.S. cotton exporters. This permanent access allows U.S. cotton exports to continue to compete on a level playing field with Korea's other trading partners.

Fruits, Vegetables, and Products. Fruits and vegetables and related products are an important part of Texas agricultural exports, accounting for an estimated \$117 million in 2009. Under the KORUS agreement:

- Tariffs on frozen orange juice, asparagus, canned and processed tomatoes, frozen potato fries, and chipping potatoes (during the U.S. potato shipping season) will be eliminated immediately.
- Many other products such as avocados, lemons, grapefruit, carrots, lettuce, dried mushrooms, and sweet corn will see duties, currently ranging from 30-45 percent eliminated in 2-10 years.

Selected Agricultural Product Exports For FY 2009 (Oct. 2008-Sept. 2009)		
Product	U.S. to World	Texas to World
Cattle and Beef	\$6,703,000,000	\$710,000,000
Poultry Meat	\$4,850,000,000	\$289,000,000
Dairy Products	\$2,335,000,000	\$13,000,000
Cotton	\$3,628,000,000	\$1,390,000,000
Fruits and Fruit Products	\$5,714,000,000	\$59,000,000
Vegetables and Vegetable Products	\$5,279,000,000	\$58,000,000
Agricultural Total	\$96,632,000,000	\$4,747,000,000

Compiled by ERS using data from Census Bureau, Commerce and NASS.

Note: All State export figures used herein are estimated on a fiscal year basis (October-September) by USDA's Economic Research Service (ERS); all State cash receipt figures are compiled by USDA's National Agricultural Statistics Service (NASS) and ERS on a calendar year basis.

For questions about the U.S.-Korea Trade Agreement and its impact on U.S. agriculture, please contact FAS Legislative and Public Affairs at (202)720-7115 or LPA@fas.usda.gov.